

## Message Text

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53

ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY S/P-JHKAHAN:JHKALICKI

APPROVED BY PM - GVEST

PM/NPO:LNSENZO

C:JKELLY

OES:MKRATZER

ACDA:JBORIGHT

OSD/ISA:JLANDAVER

NSC:DELLIOTT

ERDA:CHANATRY

JCS:CWILMOT

S/P-RBARTHOLOMEW

IO-LCAVANAUGH

EUR/RPE-DLAMB

EUR/CE-LHEICHLER(DRAFT)

ARA/BR-RZIMMERMAN

ARA/APU-RFELDER

NEA/IRN-CNAAS

ARA-AMB. RYAN(DRAFT)

S/S MR. ORTIZ

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O P 071656Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

INFO AMEMBASSY BRASILIA PRIORITY

AMEMBASSY TEHRAN

USMISSION IAEA VIENNA

AMEMBASSY PARIS

AMEMBASSY BUENOS AIRES

S E C R E T STATE 133585

EXDIS

E.O. 11652: GDS

TAGS: PARM, TECH, MNUC, XMBR, XFIR, GW

SUBJECT: FRG NUCLEAR EXPORTS;REF:(A)BONN 07964,(B)STATE

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106059,(C)BONN 2897,(D) STATE 119267, (E)BONN 9076

1. DURING THIS IMPORTANT PERIOD BETWEEN END OF NPT REVIEW  
CONFERENCE AND SECOND, SUBSTANTIVE STAGE OF NUCLEAR  
SUPPLIERS' MEETINGS, IT WOULD BE USEFUL TO OBTAIN FURTHER

CLARIFICATION OF FRG VIEWS AND CONFIRM US CONCERNS REGARDING FRG NUCLEAR EXPORTS TO IRAN AND BRAZIL. FOLLOWING APPROACH WAS PLANNED BEFORE EXTENSIVE PRESS AND CONGRESSIONAL ATTENTION TO FRG-BRAZIL DEAL NECESSITATED DEPARTMENT COMMENTS. EMBASSY SHOULD INFORM FRG THAT USG IN NO WAY INSTIGATED CONGRESSIONAL AND PRESS PLAY, HAD NO INTEREST IN DOING SO, BUT WAS OBLIGED TO COMMENT BRIEFLY ALONG LINES SHOWN PARA 10. AS APPROPRIATE, EMBASSY SHOULD FIRMLY DENY ANY USG ATTEMPT TO PRESSURE FRG THROUGH PRESS, INDICATING PRIOR PUBLICITY IN BRAZIL AND GENERAL DIFFICULTY OF KEEPING PROSPECTIVE NUCLEAR SALES OF ANY SUPPLIER SECRET, GIVEN INCREASED PUBLIC AND PARLIAMENTARY CONCERN ABOUT PROLIFERATION PROBLEM. EMBASSY SHOULD NOTE THAT US HAS PURSUED AND CONTINUES TO PURSUE PRIVATE DIALOGUE REGARDING MUTUAL CONCERNS IN THIS AREA AND THAT CURRENT APPROACH IS BEING TAKEN IN THIS SPIRIT AND IN CONTEXT OF NPT REVCON AND SUPPLIERS MEETINGS. IN COURSE OF APPROACH TO FRG, EMBASSY SHOULD DRAW ON PARAS 2-4 BELOW, WHICH PROVIDE BACKGROUND FOR AND AUTHORIZE LOW-KEY EMBASSY APPROACH ON FRG-IRAN NUCLEAR COOPERATION, AND ON

PARAS 5-9, FOR EMBASSY APPROACH AT HIGH POLITICAL LEVEL ON FRG-BRAZIL NUCLEAR COOPERATION (THE FRG EXPORT CASE OF GREATEST CONCERN TO US). EMBASSY SHOULD EXERCISE DISCRETION ON WHETHER TO COMBINE APPROACHES AND ON MOST DESIRABLE POINTS OF CONTACT, BUT APPROACHES SHOULD BE MADE PROMPTLY, IN ORDER TO CLARIFY US POSITION IN WAKE OF PUBLICITY AND WHILE FRG RETAINS SOME FLEXIBILITY TO REQUIRE STRINGENT NUCLEAR SAFEGUARDS AND CONTROLS EITHER IN AGREEMENTS OR IN ARRANGEMENTS TO IMPLEMENT THEM.

2. REF A DESCRIPTION OF STATUS OF FRG-IRAN NUCLEAR AGREEMENT IS MOST USEFUL AND TIMELY. FRG INTEREST BOTH IN STRENGTHENING GOVERNMENT-LEVEL AGREEMENT TO INCLUDE PHYSICAL SECURITY AND TECHNOLOGY SAFEGUARDS AND IN CONTINUING SAFEGUARDS IN EVENT IRAN WITHDRAWS FROM NPT IS  
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CONSISTENT WITH US PROPOSALS IN SUPPLIERS' CONFERENCE AND US APPROACH TO OUR PENDING GOVERNMENT-TO-GOVERNMENT AGREEMENT WITH IRAN IN NUCLEAR FIELD.

3. HOWEVER, DEPARTMENT UNCLEAR AS TO WHETHER FRG INTENDS SUCH A PROVISION TO COVER TECHNOLOGY FOR LIGHT WATER REACTORS AS WELL AS POSSIBLE FUTURE ASSISTANCE IN SENSITIVE AREAS SUCH AS REPROCESSING AND ENRICHMENT FACILITIES. FYI. SUPPLIER CONSENSUS BASED ON INITIAL APRIL 23 MEETING SEEMS PROBABLE ON LATTER BUT HIGHLY QUESTIONABLE ON FORMER. END FYI. CANADA IS STRONG ADVOCATE OF SAFEGUARDING REACTOR TECHNOLOGY WHILE FRANCE OPPOSES THIS APPROACH. EMBASSY REQUESTED TO SEEK FRG

POSITION ON THIS MATTER AS IMPORTANT INPUT TO USG PREPARATIONS FOR FORTHCOMING JUNE 18 SUPPLIERS' MEETING.

4. EMBASSY SHOULD ALSO EXPLORE WHETHER "MUTUAL CONSENT" PROVISION IS CONTEMPLATED FOR INCLUSION IN FRG-IRAN NUCLEAR AGREEMENT. ("MUTUAL CONSENT" PROVISION WOULD GIVE SUPPLIER RIGHT TO APPROVE REPROCESSING BY RECIPIENT OF MATERIAL DERIVED FROM FRG SUPPLIED FUEL OR UTILIZED IN FRG REACTORS.) EMBASSY MAY INDICATE THAT US IS SEEKING TO NEGOTIATE SUCH A PROVISION WITH THE GOI, THAT SUCH AN APPROACH IS VIEWED IN WASHINGTON AS IMPORTANT BOTH FOR IRAN AND AS GENERAL PRECEDENT, AND THAT THIS CONCEPT IS INCLUDED IN THE DISCUSSION PAPER (REF D) RECENTLY TRANSMITTED TO FRG FOR JUNE SUPPLIERS' MEETING. FYI. THIS CONCEPT IS ONE IMPORTANT ELEMENT IN PROPOSED US APPROACH TO SUPPLIERS FOR PLACING SPECIAL CONTROLS OVER SENSITIVE MATERIALS, NOTABLY PLUTONIUM. US IS SEEKING GOI AGREEMENT WHEREBY PRIOR AUTHORIZATION TO REPROCESS US MATERIAL WOULD BE GIVEN ONLY IF SUCH MATERIAL IS REPROCESSED IN A MULTINATIONALLY OWNED AND OPERATED PLANT. SUBSTANTIAL PROGRESS HAS BEEN MADE IN CONCLUDING AGREEMENT WITH THIS PROVISION, AS WELL AS PROVISION ON PHYSICAL SECURITY ARRANGEMENTS. END FYI.

5. EMBASSY IS AWARE OF US CONCERNS WITH IMPLICATIONS OF FRG NUCLEAR COOPERATION WITH BRAZIL (REF B). CONCERNS BASED PRIMARILY ON PRECEDENT-SETTING NATURE OF SALES OF BOTH ENRICHMENT AND REPROCESSING TECHNOLOGY TO A COUNTRY  
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ANTAGONISTIC TOWARDS THE NPT AND INTERESTED IN INDIGENOUS PNE PROGRAM. CONCERNS HAVE BEEN CONVEYED TO FRG AT HIGH LEVELS IN BOTH WASHINGTON AND BONN, AND ARE NOW HEIGHTENED IN THIS DELICATE PERIOD LEADING UP TO JUNE 18 MEETING. A RECENT RATIFIER OF NPT AND ACTIVE PARTICIPANT IN NPT REVIEW CON AND NUCLEAR SAFEGUARDS EFFORTS, FRG SHOULD SHARE US INTEREST IN ASSURING PRODUCTIVE OUTCOME OF SUPPLIERS' DISCUSSIONS AND IN MINIMIZING PROLIFERATION DANGERS. FYI: PRECEDENT OF FRG SALE WITHOUT EFFECTIVE CONDITIONS CAN SERIOUSLY DAMAGE EFFORTS TO ACHIEVE SUPPLIERS' AGREEMENT ON SPECIAL CONDITIONS FOR EXPORTS OF SENSITIVE ITEMS AND US EFFORTS TO INFLUENCE FRENCH POSITION ON PENDING SENSITIVE SALES TO CERTAIN COUNTRIES OF SPECIAL CONCERN. END FYI.

6. ON QUESTION OF SAFEGUARDS AND CONTROLS FOR FRG NUCLEAR EXPORTS TO BRAZIL, REF C ESTABLISHED THAT FRG HAD TRIED UNSUCCESSFULLY TO OBTAIN COMPREHENSIVE SAFEGUARDS AND GENERAL NO-PNE COMMITMENTS FROM BRAZIL. HOWEVER, FRG HAS OBTAINED FROM BRAZIL NO-NUCLEAR-EXPLOSIVE ASSURANCES AND (AS LAST LEFT WITH US) HOPES TO OBTAIN IAEA SAFEGUARDS ON ALL MATERIALS ON FACILITIES, AND TECHNOLOGY SUPPLIED BY FRG AS WELL AS ENSURE ADEQUATE PHYSICAL SECURITY OF THESE

MATERIALS AND FACILITIES (REF C). IN ADDITION, COUNSELOR SOENKSEN HAS CONFIRMED TO DEPARTMENT, FOLLOWING FRG CABINET APPROVAL (ON APRIL 30) OF DRAFT NUCLEAR AGREEMENT WITH BRAZIL, THAT FRG IS SEEKING ASSURANCE FROM BRAZIL THAT SAFEGUARDS PROVISION OF PROPOSED AGREEMENT ALLOWS THE FRG TO UNDERTAKE A TRILATERAL SAFEGUARDS AGREEMENT WITH BRAZIL AND IAEA. NO-PNE ASSURANCE AND TRILATERAL AGREEMENT FULFILL TWO IMPORTANT CONDITIONS PROPOSED BY US (REF B, PARA 3). SUCH MOVEMENT VERY ENCOURAGING AND MAY INDICATE FRG READINESS TO SERIOUSLY CONSIDER OTHER US REQUESTS LISTED IN REF B. MOREOVER, INFORMATION NOW AVAILABLE TO DEPARTMENT SUGGESTS THAT NEGOTIATIONS ON FRG-BRAZILIAN NUCLEAR AGREEMENT HAVE PROVED MORE DIFFICULT THAN EXPECTED AND THAT SIGNING WILL BE DEFERRED, PENDING FURTHER DISCUSSION AT INDUSTRIAL LEVEL SOON TO TAKE PLACE IN BRAZIL. IN RECENT CONVERSATION, SOENKSEN SAID TO HIS KNOWLEDGE BRAZIL HAS NOT AS YET RESPONDED TO FRG REQUEST FOR CLARIFICATIONS.

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7. ABOVE CONSIDERATIONS OFFER VALUABLE OPPORTUNITY TO

REITERATE US CONCERNS ON ASSURING TIGHT SAFEGUARDS AND CONDITIONS ON FRG NUCLEAR EXPORTS TO BRAZIL, PARTICULARLY REGARDING TECHNOLOGY. WHILE DEPARTMENT BELIEVES IT WOULD BE UNREALISTIC AT THIS STAGE TO REITERATE PREVIOUS US REQUEST THAT FRG SEEK COMPREHENSIVE SAFEGUARDS AND GENERAL NO-PNE ASSURANCES, EMBASSY SHOULD PURSUE FOLLOWING POINTS WITH FRG, DRAWING ON REF B AS APPROPRIATE:

A. CONFIRM THAT FRG WILL IN FACT RECEIVE FORMAL SAFEGUARDS AND PHYSICAL SECURITY ASSURANCES AND TECHNOLOGY SAFEGUARDS COMMITMENT FROM GOB.

B. URGE FRG TO ASSURE CONTINUING SUPPLIER INVOLVEMENT IN SUPPLIED REPROCESSING AND ENRICHMENT PLANTS, FOR PILOT AS WELL AS COMMERCIAL SCALE FACILITIES. THIS CONDITION IS IMPORTANT BOTH IN BRAZIL CONTEXT AND AS A PRECEDENT FOR NEXT STAGE OF MULTILATERAL SUPPLIERS' EFFORTS. FRG HAS PREVIOUSLY INDICATED DEGREE OF FLEXIBILITY ON THIS POINT, DRAWING OUR ATTENTION TO PROVISION FOR "JOINT VENTURES", PRESUMABLY THROUGH INDUSTRIAL ASSOCIATIONS IN PLANT CONSTRUCTION AND OPERATIONS MEETING COUNTRIES' COMMERCIAL NEEDS. (PLANS FOR THESE VENTURES ARE ALREADY RECEIVING PRESS ATTENTION IN BRAZIL.) THIS OFFERS OPPORTUNITY FOR FRG, WITH GOVERNMENTAL DIRECTION TO EXTENT FEASIBLE, TO HELP SATISFY SUPPLIER INVOLVEMENT CONDITION, THEREBY MINIMIZING PROLIFERATION RISKS WITHOUT JEOPARDIZING ITS SALES.

C. THAT FRG RETAINS AS MUCH FLEXIBILITY AS POSSIBLE IN STRETCHING OUT DEVELOPMENTAL SCHEDULE FOR NUCLEAR TRANSFERS, CONSISTENT WITH BRAZIL'S EVOLVING ECONOMIC REQUIREMENTS AND GENERAL INTEREST IN REGIONAL STABILITY. IN THIS REGARD, THE DISTINCTION BETWEEN PILOT AND COMMERCIAL SCALE ENRICHMENT AND REPROCESSING FACILITIES IS IMPORTANT: IF FRG IN THIS PARTICULAR INSTANCE WAS UNABLE AFTER DETERMINED EFFORT TO INTRODUCE SUPPLIER INVOLVE-  
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MENT IN PILOT FACILITIES, WE URGE THAT FRG WORK WITH OTHER SUPPLIERS (E.G., US AND CANADA) TO ENCOURAGE LARGER SCALE, MULTINATIONAL FACILITIES SERVING REGIONAL NEEDS WITH SUPPLIER INVOLVEMENT AND MAJOR BRAZILIAN PARTICIPATION.

8. IN ADDITION, EMBASSY SHOULD DISCUSS INFORMALLY WITH FRG OFFICIALS THE FOLLOWING OBSERVATIONS ON NUCLEAR

SUPPLY TO BRAZIL. (A) IN VIEW OF THE BROAD CAPABILITY TO BE TRANSFERRED TO BRAZIL, AND ARGENTINE-BRAZILIAN MUTUAL SUSPICIONS, IT SEEMS CLEAR TO THE US THAT CONCERNS OVER NUCLEAR PROLIFERATION WILL BE RECURRENT DURING THE WHOLE COURSE OF THE FRG-BRAZIL (AND US-BRAZIL) NUCLEAR COOPERATION. (B) WE BELIEVE WE MUST SERIOUSLY AND CONTINUOUSLY REVIEW THIS SITUATION, AND LOOK AT WAYS TO DEAL WITH PROLIFERATION CONCERNS. (C) WHILE RECOGNIZING SUBSTANTIAL POLITICAL OBSTACLES, ONE THEORETICAL POSSIBILITY WOULD BE FOR ARGENTINA AND BRAZIL TO ARRIVE AT SOME SORT OF AGREEMENT OR UNDERSTANDING, ACCORDING TO WHICH ALL FACILITIES WOULD BE SAFEGUARDED, AND CONCEIVABLY TO COORDINATE REPROCESSING PLANS ON A REGIONAL BASIS. (D) WE WOULD LIKE TO DISCUSS THESE OR OTHER POSSIBLE LONG-TERM WAYS OF DEALING WITH THE PROBLEM WITH THE FRG.

9. DEPARTMENT APPRECIATES EMBASSY ASSESSMENT IN REF A OF GREATER FRG SENSITIVITY TO US APPROACHES ON BRAZIL IN CONTRAST WITH CANDID DISCUSSION OF IRANIAN AGREEMENT. SIGNIFICANCE OF BRAZILIAN ARRANGEMENT FOR NON-PROLIFERATION, HOWEVER, IS SUBSTANTIALLY MORE IMPORTANT. EMBASSY SHOULD THEREFORE SEEK TO CONVEY US CONCERNS OVER BRAZIL AT HIGH POLITICAL LEVEL, CONSISTENT WITH MUTUAL NON-PROLIFERATION GOALS, AND ASSURE FRG THAT USG IS NOT RPT NOT SEEKING TO GAIN COMMERCIAL ADVANTAGE. ON THIS POINT, EMBASSY COULD REITERATE THAT US HAS NO PLANS TO PROVIDE ENRICHMENT OR REPROCESSING EQUIPMENT OR TECHNOLOGY TO BRAZIL, PREFERRING INSTEAD TO OFFER SERVICES AND WORK TOWARD REGIONAL FACILITIES. PERHAPS MOST IMPORTANTLY, EMBASSY SHOULD CLEARLY CONVEY TO FRG OFFICIALS THAT THIS APPROACH TAKEN IN CONSTRUCTIVE SPIRIT

AT DEVELOPING MUTUAL APPRECIATION OF RESPECTIVE CONCERNS  
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AND POLICIES RELATING TO NUCLEAR EXPORTS TO HELP ENSURE  
PRODUCTIVE RELATIONSHIPS BETWEEN US AND FRG AT FORTH-  
COMING JUNE 18 SUPPLIERS' MEETING.

10. JUNE 1 ISSUE OF WASHINGTON "POST" FRONT-PAGED FRG-  
BRAZIL NUCLEAR DEAL, INDICATING US CONCERN OVER BRAZILIAN  
INTENTIONS AND FRG SAFEGUARDS CONDITIONS, FOLLOWED UP BY  
JUNE 4 ISSUE OF NEW YORK "TIMES" WHICH HIGHLIGHTED SAFE-  
GUARDS AND ADDITIONAL CONTROLS OBTAINED BY FRG FROM  
BRAZIL. ON JUNE 3, E ATOR PASTORE STRONGLY CRITICIZED  
FRG-BRAZIL DEAL, FOLLOWED UP BY DISCLOSURE OF FRENCH  
NUCLEAR TRANSACTIONS BY SENATOR RIBICOFF. IN RESPONSE  
TO NUMEROUS QUESTIONS FROM PRESS, DEPARTMENT SPOKESMAN  
ON JUNE 4 DREW UPON FOLLOWING INFORMATION: USG DOES NOT  
HAVE TEXT OF FRG-BRAZIL AGREEMENT AND HAS NO INFORMATION  
TO INDICATE IT HAS BEEN COMPLETED. WE HAVE, HOWEVER, HAD  
BILATERAL DISCUSSIONS WITH THE FRG CONCERNING THE PROPOSED  
SALE, AND CONFIRM HAVING SENT DELEGATION TO BONN IN APRIL.  
FRG IS PARTY TO THE NPT AND THEREFORE OBLIGED TO APPLY  
IAEA SAFEGUARDS TO ALL OF ITS EXPORTS TO NON-NUCLEAR  
WEAPON STATES. INFORMATION AVAILABLE TO US INDICATES FRG  
WILL REQUIRE ADDITIONAL STRINGENT CONTROLS, AND WE ARE  
GRATIFIED THAT THIS IS THE CASE, PARTICULARLY SINCE PRO-  
POSAL INCLUDES PROVISION OF CHEMICAL REPROCESSING AND  
URANIUM ENRICHMENT TECHNOLOGY AND EQUIPMENT TO BRAZIL.  
US HAS ON SEVERAL OCCASIONS EXPRESSED DEEP CONCERN OVER  
PRECEDENT AND EXTENT OF SALE, AND HAS URGED THE FRG TO  
ENSURE THAT ARRANGEMENT INCLUDES THE TIGHTEST POSSIBLE  
CONTROLS OVER THESE SENSITIVE EXPORTS. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** URANIUM, SALES, EXPORTS, FISSIONABLE MATERIALS TRANSFER, NUCLEAR SAFEGUARDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JUN 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE133585  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** S/P-JHKAHAN:JHKALICKI  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** D750200-0089  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t197506100/baaaambd.tel  
**Line Count:** 307  
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ORIGIN SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 APR 2003 by ElyME>; APPROVED <22 SEP 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** PARM, TECH, MNUC, GE, BR, IR  
**To:** BONN INFO BRASILIA  
TEHRAN  
IAEA VIENNA  
PARIS  
BUENOS AIRES  
**Type:** TE

**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006